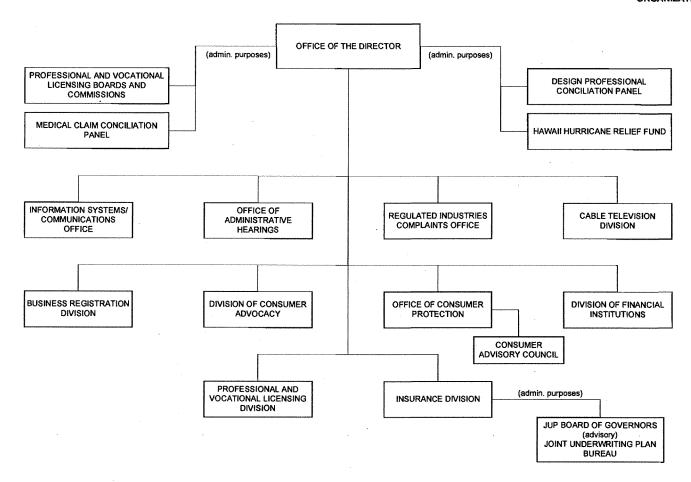


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STATE OF HAWAII DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ORGANIZATION CHART



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS MAJOR FUNCTIONS

- Develops standards relating to the licensing of and general supervision over the conduct of financial institutions, professions, businesses, trades, and insurance companies
- Grants or denies the issuance professional, business and trade licenses; directs investigations, holds hearings, and suspends, revokes or reinstates licenses; makes, amends or repeals such rules and regulations deemed proper to fully effectuate the provisions of the laws within the Department's scope and jurisdiction
- Represents, protects, and advances the interest of consumers of utility services; conducts investigations; assists and cooperates with Federal, State, and local agencies to protect the consumer's interests in the public utilities fields

- Coordinates the consumer protection activities in the State; conducts investigations, research, and enforces laws, rules, and regulations in the area of consumer protection; provides consumer education services and programs
- Administers the laws of the State relating to corporations; partnerships; sales of securities; registration of trademarks, tradenames, prints and labels; miscellaneous business registrations; financial institutions; and the insurance industry
- Ensures that subscribers are provided with cable communication services which meet acceptable standards of quality, dependability, and fair rates; establishes technical standards of performances; maintains surveillance over filed rates, charges, terms, and conditions of services; and monitors the operations and management of cable television operators

MAJOR PROGRAM AREAS

The Department of Commerce and Consumer Affairs has programs in the following major program area:

Individual Rights		CCA 105	Professional and Vocational Licensing
CCA 102	Cable Television	CCA 106	Insurance Regulatory Services
CCA 103	Consumer Advocate for Communication,	CCA 110	Office of Consumer Protection
	Utilities, and Transportation Services	CCA 111	Business Registration
CCA 104	Financial Institution Services	CCA 112	Regulated Industries Complaints Office
		CCA 191	General Support

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS Department Summary

Mission Statement

To fairly regulate business, while ensuring consumer protection in commercial transactions in Hawaii.

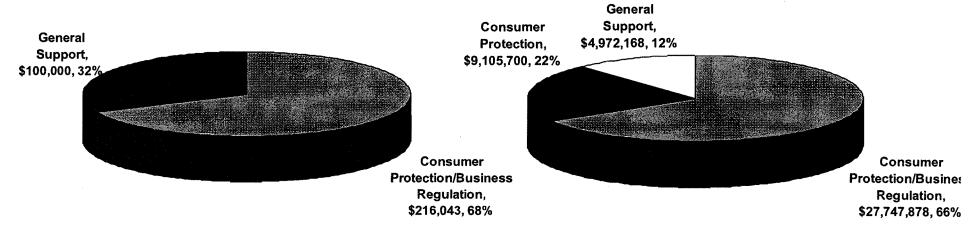
Department Goals

To develop, promote, and implement rational business regulation; to consider the public interest and increase the opportunity for public involvement in the regulatory process; and to ensure fairness in the conduct of administrative hearings that address decisions made by department regulators.

Significant Measures of Effectiveness	FY 2006	FY 2007
1. Percentage of complaints responded to in a timely manner	96	95
2. Average number of days to process corporation, partnership, limited liability	2	2
company, trade name or other documents with/without expedited handling		
3. Percentage cases completed within the designated time for contested case hearings	88	85

FY 2007 Supplemental Operating Budget Adjustments by Major Program

FY 2007 Supplemental Operating Budget



Total \$.3 M

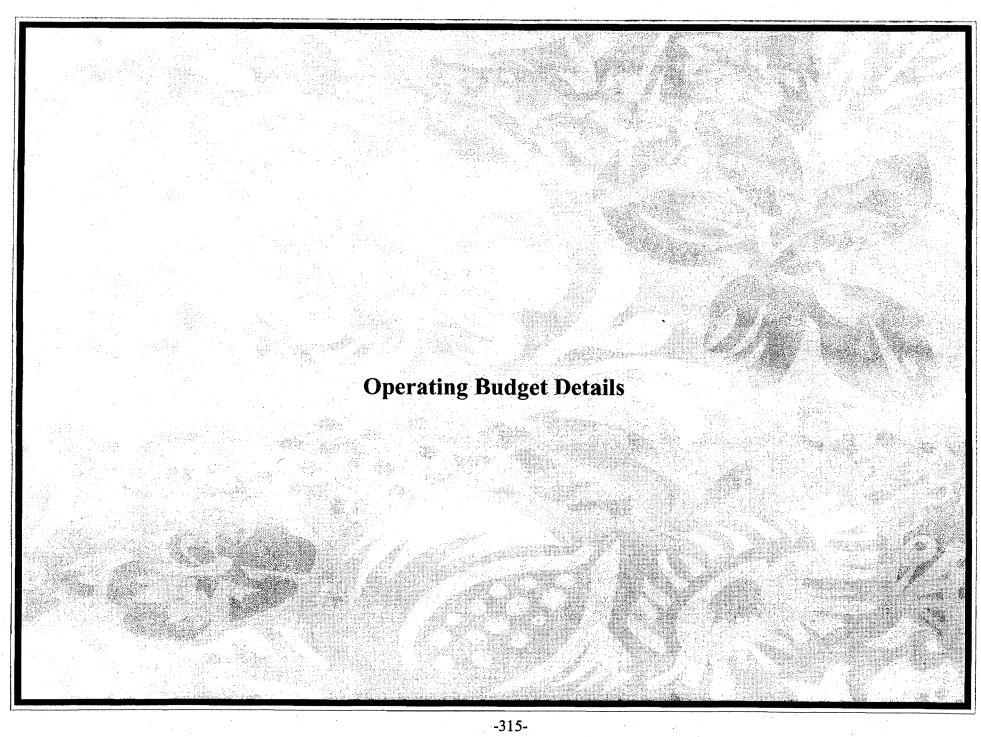
Total \$41.8 M

Department of Commerce and Consumer Affairs (Operating Budget)

		Act 178/2005 FY 2006	Act 178/2005 FY 2007	FY 2007 Adjustments	Total FY 2007
Funding Sources:	Positions	334.00	334.00	6.00	340.00
Special Funds	\$	39,664,515	39,466,175	246,043	39,712,218
		4.00	4.00	0.00	4.00
Trust Funds		2,043,528	2,043,528	70,000	2,113,528
		338.00	338.00	6.00	344.00
Total Requirements		41,708,043	41,509,703	316,043	41,825,746

Highlights of the Executive Supplemental Budget Request: (general funds unless noted)

- 1. Provides 2 permanent positions and \$146,043 in special funds for the Business Action Center.
- 2. Provides 2 permanent insurance examiner positions for the Captive Insurance Administrative Branch, 1 permanent staff attorney position for the Insurance Fraud Investigation Branch, and 1 permanent investigator position for the Regulated Industries Complaints Office.
- 3. Provides \$100,000 in special funds to cover increased electricity and maintenance costs for shared areas in the new King Kalakaua Building.
- 4. Transfers 1 temporary position and \$42,017 in special funds from the Office of Administrative Hearings to the Information Systems and Communications Office.
- 5. Provides \$70,000 in Condominium Management Education Trust Funds for educational programs relating to the new condominium law.



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PROGRAM ID:

CCA-

PROGRAM STRUCTURE NO: 10

PROGRAM TITLE:

INDIVIDUAL RIGHTS

		FY 2006			FY 2007		BIENNI	UM TOTALS	
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND Apprn	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT Change
OPERATING	338.00*	*	338.00*	338.00*	6.00*	344.00*	*	*	*
PERSONAL SERVICES	26,629,756		26,629,756	26,629,756	452,556	27,082,312	53,259,512	53,712,068	
OTH CURRENT EXPENSES	15,078,287		15,078,287	14,879,947	146,513-	14,733,434	29,958,234	29,811,721	
EQUIPMENT					10,000	10,000		10,000	
TOTAL OPERATING COST	41,708,043		41,708,043	41,509,703	316,043	41,825,746	83,217,746	83,533,789	.38
BY MEANS OF FINANCING	*	4. *	*!	*		*	*	4	r sk
	334.00*	*	334.00*	334.00*	6.00*	340.00*	*	*	r *
SPECIAL FUND	39,664,515		39,664,515	39,466,175	246,043	39,712,218	79,130,690	79,376,733	
TRUCT FUNDS	4.00*	*	4.00*	4.00*	*	4.00*	*	*	t 🛊
TRUST FUNDS	2,043,528		2,043,528	2,043,528	70,000	2,113,528	4,087,056	4,157,056	
	* · · · · · · · · · · · · · · · · · · ·	*	*;	*	*	*;	*	•	1 1
TOTAL POSITIONS	338.00*	*	338.00*	338.00*	6.00*	344.00*			
TOTAL PROGRAM COST	41,708,043		41,708,043	41,509,703	316,043	41,825,746	83,217,746	83,533,789	.38
				=======================================					

PROGRAM ID:

CCA-105

PROGRAM STRUCTURE N
PROGRAM TITLE:

PROGRAM STRUCTURE NO: 10010304

PROFESSIONAL & VOCATIONAL LICENSING

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PAGE	134

	FY 2006				FY 2007		! BIENNIUM TOTALS		
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND Apprn	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING PERSONAL SERVICES	60.00* 4,513,556	*	60.00*	60.00*	*	60.00*	*	*	*
OTH CURRENT EXPENSES	2,229,162		4,513,556 2,229,162	4,513,556 2,229,162	70,000	4,513,556 2,299,162	9,027,112 4,458,324	9,027,112 4,528,324	
TOTAL OPERATING COST	6,742,718		6,742,718	6,742,718	70,000	6,812,718	13,485,436	13,555,436	.52
BY MEANS OF FINANCING			1	and the local desirable data the later than the said was rep.	week cross-state data state have goes their time time, was pure-upol upon				
DI MEANS OF FINANCING	56.00*	<u>.</u>	56.00*	56.00*		EC 001			
SPECIAL FUND	4,949,871		4,949,871	4,949,871	•	56.00* 4,949,871	9,899,742	9,899,742	; **
	4.00*	*	4.00*	4.00*	*	4.00*	*	1	ı 🛊
TRUST FUNDS	1,792,847		1,792,847	1,792,847	70,000	1,862,847	3,585,694	3,655,694	
TOTAL POSITIONS	60.00*	*	60.00*	60.00*	*	60.00*!			
TOTAL PROGRAM COST	6,742,718		6,742,718	6,742,718	70,000	6,812,718	13,485,436	13,555,436	.52
						***********		****	

Program ID: CCA-105

Program Structure Level: 10 01 03 04

Program Title: PROFESSIONAL AND VOCATIONAL LICENSING

A. Program Objective

To ensure that the individual is provided with professional, vocational and personal services meeting acceptable standards of quality, equity and dependability by establishing and enforcing appropriate service standards; to regulate activities for the protection, welfare and safety of the participant as well as the public.

B. Description of Request

- (1) MOF B. Authorize 1.00 FTE program specialist and tradeoff 1.00 FTE administrative assistant. No net impact.
- (2) MOF T. Add funds of \$70,000 for educational plans relating to the new condominium law.

C. Reasons for Request

(1) Pursuant to §26-9(I), HRS, authority is provided to appoint program specialists, not subject to chapter 76, to assist with the activities of this program. The program currently has one program specialist dedicated to fiscal/budget and information technology functions. Both responsibilities have increased beyond a level that is reasonable for one person to assume. The authorization of another program specialist would allow for reasonable work distributions and better management of the critical fiscal/budget and IT issues that must be timely addressed. As the program is trading off an administrative assistant for the new position, this request will not affect the program's total position count and funding.

- (2) The recodification of the condominium law (Chapter 514A, HRS) was a six year undertaking involving Act 213/00, Act 131/03, Act 164/04 and Act 93/05. The resultant new condominium law will be effective July 1, 2006. No funds were appropriated for the recodification educational plan in the 2005 legislative session. Additional funding is necessary to fully implement the recodification educational plan. Registered condominium associations and condominium developers contribute to the Condominium Management Education Trust Fund. This request is consistent with the program objective of protecting consumers and the fund objective of providing educational opportunities to the condominium community. Many within the condominium community have expressed interest in and will benefit from programs under the recodification educational plan.
- D. Significant Changes to Measures of Effectiveness and Program Size None.

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PROGRAM ID:

CCA-106

PROGRAM STRUCTURE NO: 10010306

PROGRAM TITLE:

INSURANCE REGULATORY SERVICES

PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	FY 2007 ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	IUM TOTALS RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING PERSONAL SERVICES OTH CURRENT EXPENSES	76.00* 4,946,929 6,470,150		76.00* 4,946,929 6,470,150	76.00* 4,946,929 6,271,810	3.00* 253,450 253,450~	5,200,379	9,893,858 12,741,960	** 10,147,308 12,488,510	*
TOTAL OPERATING COST	11,417,079		11,417,079	11,218,739		11,218,739	22,635,818	22,635,818	
BY MEANS OF FINANCING									
	*	*	*	*	*	*	*	*	1 38:
SPECIAL FUND TRUST FUNDS	76.00* 11,217,079 200,000	•	76.00* 11,217,079 200,000	76.00* 11,018,739 200,000	3,00*	79.00* 11,018,739 200,000	22,235,818 400,000	22,235,818 400,000	*
TOTAL POSITIONS TOTAL PROGRAM COST	76.00* 11,417,079	*	76.00* 11,417,079	76.00* 11,218,739	3.00*	79.00* 11,218,739	22,635,818	22,635,818	

Program ID: CCA-106

Program Structure Level: 10 01 03 06

Program Title: INSURANCE REGULATORY SERVICES

A. Program Objective

To ensure that consumers are provided with insurance services meeting acceptable standards of quality, equity, and dependability at fair rates by establishing and enforcing appropriate service standards and fairly administering the Insurance Code.

B. Description of Request

- (1) MOF B. Authorize 2.00 FTE captive examiners and transfer funds from other current expenses to personal services to fund positions.
- (2) MOF B. Authorize 1.00 FTE staff attorney and transfer funds from other current expenses to personal services to fund the position.

C. Reasons for Request

(1) Hawaii's captive insurance industry has experienced extraordinary annual growth since the Captive Insurance Administration Branch ("CIAB") was formed within the Insurance Division in 1999. For the calendar year 2004, there were 147 actively licensed captives that had total combined assets of about \$5.2 billion, of which \$1.3 billion was invested through Hawaii banks and/or financial institutions. These companies wrote about \$1.8 billion in premiums, and directly spent an estimated \$10.5 million in Hawaii for local expenditures to captive managers, CPAs, legal counsel, and for investment management, annually required local board of directors meetings and related expenses. Unfortunately, the CIAB's regulatory resources have not kept pace with this growth. As a result, the CIAB continues to fall behind in meeting its statutory mandate (HRS 431:19-108) to examine captives at least once

every three years. In order to regain compliance with the statutorily mandated examination schedule with existing resources, the CIAB must engage qualified independent contractors to perform captive insurance exams. This is resulting in at least a 100% increase in examination costs that is directly charged to captive licensees. The potential longer term effect of relying upon independent contract examiners is devastating because the actual and perceived increased cost to do captive business in Hawaii can be used by our current and future competitors as examples of Hawaii's lack of commitment and foresight. The authorization of two new captive examiners would address this issue.

- (2) Hawaii's Insurance Fraud Investigation Branch (IFIB) continues to experience annual growth since the IFIB was formed within the Insurance Division in 1997. In 2004, 210 referrals were received, with 36 cases indicted. This reflected a 121% increase in convictions from the previous fiscal year, with 23 more individuals sentenced. The number of referrals and indictments are expected to continue to climb. Currently, cases are prosecuted by the Fraud Branch Administrator and a contract attorney. The cost of the full time staff attorney (including benefits) is comparable to the cost of a contract attorney providing *less* work for the branch. An in house staff attorney for the IFIB is more economical and will assist in the efficiency of preparing the cases for prosecution.
- D. Significant Changes to Measures of Effectiveness and Program Size None.

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PROGRAM ID:

CCA-111

PROGRAM STRUCTURE NO: 10010403

PROGRAM TITLE:

BUSINESS REGISTRATION

		FY 2006		FY 2007			8IENNIUM TOTALS		
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT 8IENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING PERSONAL SERVICES OTH CURRENT EXPENSES EQUIPMENT	73.00* 4,445,102 1,473,280	*	73.00* 4,445,102 1,473,280	73,00* 4,445,102 1,473,280	2.00* 86,343 49,700 10,000	75.00* 4,531,445 1,522,980 10,000	8,890,204 2,946,560	8,976,547 2,996,260 10,000	ik X
TOTAL OPERATING COST	5,918,382	***************************************	5,918,382	5,918,382	146,043	6,064,425	11,836,764	11,982,807	1.23
8Y MEANS OF FINANCING									
SPECIAL FUND	73.00* 5,918,382	*	73.00* 5,918,382	* 73.00* 5,918,382	2.00* 146,043	75.00* 6,064,425	* * 11,836,764	11,982,807	k #
TOTAL POSITIONS TOTAL PROGRAM COST	73.00* 5,918,382	*	73.00* 5,918,382	73.00* 5,918,382	2.00* 146,043	75.00* 6,064,425	11,836,764	11,982,807	1.23

Program ID: CCA-111

Program Structure Level: 10 01 04 03
Program Title: BUSINESS REGISTRATION

A. Program Objective

To maintain Hawaii's business registry by providing for the registration of corporations, limited liability companies, partnerships, trade names, trademarks, and service marks, and to administer and enforce Hawaii's securities and franchise laws.

B. Description of Request

MOF B. Authorize 2.00 FTE business center clerks, and funds of \$146,043 for other current expense, equipment, and lease payments, to implement plans to expand services provided by the Business Action Center Branch by opening a new satellite office.

C. Reasons for Request

Act 62 (SLH 2005) transferred the Business Action Center ("BAC") from the Department of Business, Economic Development and Tourism to the Department of Commerce and Consumer Affairs' Business Registration Division ("BREG"), effective July 1, 2005. The BAC's mission is to provide information and services to coordinate, simplify, and expedite permit application processing for small businesses and those person's intending to start businesses in Hawaii. As part of that mission, the BAC is mandated by the Hawaii Revised Statutes to develop operations on neighbor islands to provide its assistance to small businesses and entrepreneurs. The BAC currently has operations only at the Nimitz Business Center in Honolulu. Due to increased business activity in the State from an improving economy, there is a need to expand the BAC to other locations around the State to meet the demands for its services from small businesses and entrepreneurs on neighbor islands currently served

only remotely via telephone or email by the BAC. In FY 2005 the BAC assisted approximately 17,600 people in person, over the telephone or by email, with a significant number of queries over the telephone and by email from customers on the neighbor islands. Opening a new BAC satellite office on the neighbor island will increase the number of small businesses and entrepreneurs being assisted and increase the number of businesses being formed in Hawaii. BREG's long-term goal, if this pilot project is successful, is to open other satellite offices.

D. Significant Changes to Measures of Effectiveness and Program Size None.

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PROGRAM ID:

CCA-112

PROGRAM STRUCTURE NO: 10010404

PROGRAM TITLE:

REGULATED INDUSTRIES COMPLAINTS OFFICE

		FY 2006			FY 2007		BIENN	LUM TOTALS	
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT Change
OPERATING PERSONAL SERVICES OTH CURRENT EXPENSES	14.00* 4,007,515 967,933		4,00*, 4,007,515 967,933	14.00* 4,007,515 967,933	1.00* 112,763 112,763-	4,120,278	* 8,015,030 1,935,866	8,127,793 1,823,103	*
TOTAL OPERATING COST	4,975,448	***************************************	4,975,448	4,975,448		4,975,448	9,950,896	9,950,896	
BY MEANS OF FINANCING									
SPECIAL FUND	14.00* 4,975,448		14.00* 4,975,448	4,975,448	1.00*	* 15.00* 4,975,448	* * 9,950,896	* * 9,950,896	· *
TOTAL POSITIONS TOTAL PROGRAM COST	14.00* 4,975,448		14.00* 4,975,448	14.00* 4,975,448	1.00*	15.00* 4,975,448	9,950,896	9,950,896	,

Program ID: CCA-112

Program Structure Level: 10 01 04 04

Program Title: REGULATED INDUSTRIES COMPLAINTS OFFICE

A. Program Objective

To assist the general public by providing consumer education outreach activities, investigating complaints from the public and enforcing the licensing laws.

B. Description of Request

MOF B. Authorize 1.00 FTE investigator for the Maui office and transfer funds from other current expenses to personal services to fund the position.

C. Reasons for Request

Caseloads have been disproportionately large in Maui for many years and the program has explored and implemented a number of initiatives (e.g. reallocation of cases to Honolulu, payment of overtime) to minimize backlogs on this island. However, caseloads for the entire program continue to rise in volume and complexity such that current measures being used to address caseloads are no longer adequate. The Maui office currently houses 2 investigators and 1 clerical worker. After a very focused initiative to address case volume, the two investigators now have 150 cases total, but normal case volume is over 200. Optimal case levels are between 50-60 cases per investigator. The volume of cases inhibits the Maui investigators' ability to spend time quickly responding to tips of possible violations and makes it difficult for the investigators to spend time on proactive measures such as unlicensed contractor sweeps and stings.

D. Significant Changes to Measures of Effectiveness and Program Size None.

PROGRAM ID:

CCA-191

PROGRAM STRUCTURE NO: 100105

PROGRAM TITLE:

GENERAL SUPPORT

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PROGRAM COSTS	CURRENT APPRN	FY 2006	RECOMMEND APPRN	CURRENT APPRN	FY 2007	RECOMMEND APPRN	CURRENT BIENNIUM	IUM TOTALS RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING PERSONAL SERVICES OTH CURRENT EXPENSES	43.00* 3,343,829 1,528,339		43.00* 3,343,829 1,528,339	43.00* 3,343,829 1,528,339		43.00* 3,343,829 1,628,339	* 6,687,658 3,056,678	6,687,658	k *
TOTAL OPERATING COST	4,872,168		4,872,168	4,872,168	100,000	4,972,168	9,744,336	9,844,336	1.03
BY MEANS OF FINANCING									
SPECIAL FUND	43.00* 4,872,168		43.00* 4,872,16B	43.00* 4,872,168	100,000	43.00* 4,972,168	* * 9,744,336	9,844,336	is ats
TOTAL POSITIONS TOTAL PROGRAM COST	43.00* 4,872,168		43.00* 4,872,168	43.00* 4,872,168	100,000	43.00* 4,972,168	9,744,336	9,844,336	1.03

Program ID: CCA-191

Program Structure Level: 10 01 05
Program Title: GENERAL SUPPORT

A. Program Objective

To uphold fairness and public confidence in the marketplace, promote sound consumer practices, and increase knowledge, opportunity, and justice in our community by enhancing program effectiveness and efficiency.

B. Description of Request

- (1) MOF B. Add funds of \$100,000 for building electricity and maintenance costs.
- (2) MOF B. Add 1.00 FTE data processing systems analyst in the Information Systems and Communications Office, and tradeoff 1.00 FTE legal steno in the Office of Administrative Hearings.

C. Reasons for Request

(1) In November 2003, DCCA moved from the Princess Kamamalu Building to the King Kalakaua Building ("KKB"). Since moving, the Department has incurred additional electricity and maintenance costs for common and exterior areas of the new building. No additional funds were ever requested for these costs because the program worked to absorb it in its budget. However, actual and estimated costs continue to rise, due in large part to rising fuel costs. As the program continues to see rising costs overall, funding issues have arisen. Currently, the property management company estimates these costs at \$323,369 in FY 07. The program can cover most of the cost and is requesting \$100,000 to cover the balance.

- (2) On May 26, 2005, the Department requested the Governor's authorization to establish and fill a temporary exempt position titled ISCO Data Processing Systems Analyst IV, in the Information Systems and Communications Office, CCA-191 AI. The request specified Legal Steno I, #102391, in the Office of Administrative Hearings, CCA-191 AH, as a tradeoff. The request was made pursuant to HRS §76-16(17) and §26-9(0). The Governor authorized the request on June 20, 2005, and the new position, #117443, was established effective July 1, 2005.
- D. Significant Changes to Measures of Effectiveness and Program Size None.

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